



State Board of Equalization

News Release

Vice Chairwoman Betty T. Yee

1st District – San Francisco

Ramon J. Hirsig
Executive Director
www.boe.ca.gov

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**Contact: Anita Gore
916-327-8988**

Betty T. Yee Encourages Taxpayers to Participate in Voluntary Disclosure Program

Betty T. Yee, Vice Chairwoman of the Board of Equalization (BOE), today encouraged purchasers of tangible personal property who have not already paid tax on these purchases to register with the BOE for the In-State Voluntary Disclosure Program (VDP) to pay their use tax.

Generally, use tax applies when a person or business in California purchases tangible merchandise from a retailer outside of this state that will be used, consumed, given away, or stored in this state and the retailer does not collect California tax on their sales.

The benefit of the VDP is that it allows taxpayers to report and pay their use tax liability subject to a three-year statute of limitations. BOE could otherwise conduct an audit and, in most cases, go back eight years according to California law. A ten-year statute of limitations may apply in some instances, and no statute of limitations applies in the case of fraud. Purchasers cannot participate in this program if they have previously been contacted by BOE regarding failure to report use tax liabilities. Also, the VDP does not apply to purchases of vehicles, vessels, or aircraft.

The BOE has recently become more assertive in pursuing use tax liabilities from consumers through a variety of compliance programs implemented to address the more than \$2 billion sales and use tax gap, of which use tax non-compliance is the largest component. Therefore, taxpayers with use tax liabilities will benefit from participation in the BOE's In-State Voluntary Disclosure Program before being contacted by the BOE about potential use tax liabilities.

Under the In-State Service Industry Program, businesses that have been identified by industry group and other factors as likely to have incurred a use tax liability are being contacted by letter and asked to report any use tax due for the past three years. Since the letters to these businesses disqualify them from VDP participation, the letters further explain that BOE reserves the right to conduct an audit that may go back more than three years. Eligible service businesses that have not yet been contacted are encouraged to become VDP participants to obtain a certain three-year look-back period.

Use tax liabilities not more than one-year old are most easily reported and paid through the Use Tax line on the Franchise Income Tax form due from most taxpayers on April 15 of each year.

The BOE currently has other use tax programs focused on purchasers also designed to address the sales and use tax gap. The first is the Customs Program where BOE obtains data on goods imported into this State from a foreign country. This data is matched with BOE information. Those taxpayers that appear to have made purchases subject to use tax or those that appear to be operating without a valid seller's permit are then contacted for more information. The second program involves data obtained from inspections at Agriculture Inspection Stations and Truck Scales. Based on bills of lading, BOE identifies goods entering

California that appear to be subject to use tax or going to retailers who do not have seller's permits according to BOE records. These programs have been ongoing for a couple of years now and target both businesses and individuals.

For application forms and publications, visit the BOE Voluntary Disclosure of Use Tax for In-State Consumers website: www.boe.ca.gov/sutax/isvdprog.htm. For information on use tax, visit: www.boe.ca.gov/ads/news06.htm.

- [BOE-38-I](#), *Application for In-State Voluntary Disclosure*
- [BOE-400-CSU](#), *California Consumer Use Tax Account Application*
- [BOE Publication 112](#), *Purchases from Out-of-State Vendors* (also available in [Spanish](#)).
- [BOE Publication 123](#), *California Businesses: How to Identify Use Tax Due* (also available in [Spanish](#), [Chinese](#), [Korean](#), and [Vietnamese](#)).

Vice Chairwoman Betty T. Yee was elected to her post in November 2006. Her district includes many of California's coastal counties, from Del Norte to Santa Barbara, and includes the entire San Francisco Bay Area.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes.

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